CENTRAL EUROPE & RUSSIA FUND, INC.
Form N-CSR
January 04, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM N-CSR

Investment Company Act file number: 811-06041

The Central Europe and Russia Fund, Inc.
(Exact Name of Registrant as Specified in Charter)

345 Park Avenue
New York, NY 10154-0004
(Address of Principal Executive Offices) (Zip Code)

Registrant's Telephone Number, including Area Code: (212) 250-3220

Paul Schubert
60 Wall Street
New York, NY 10005
(Name and Address of Agent for Service)

Date of fiscal year end: 10/31

Date of reporting period: 10/31/2012

ITEM 1. REPORT TO STOCKHOLDERS

SUMMARY OF GENERAL INFORMATION

THE FUND

The Central Europe and Russia Fund, Inc. (the "Fund") is a non-diversified, actively-managed closed-end fund listed on the New York Stock Exchange with the symbol "CEE." The Fund seeks long-term capital appreciation primarily through investment in equity or equity-linked securities of issuers domiciled in Central Europe and Russia. It is advised and administered by wholly-owned subsidiaries of the Deutsche Bank Group.

SHAREHOLDER INFORMATION

Prices for the Fund's shares are published weekly in the New York Stock Exchange Composite Transactions section of certain newspapers. Net asset value and market price information are published each Saturday in Barron's and other newspapers in a table called "Closed End Funds." Daily information on the Fund's net asset value is available from NASDAQ (symbol XCEEX). It is also available by calling: 1-800-437-6269 (in the U.S.) or 00-800-2287-2750 (outside of the U.S.). In addition, a schedule of the Fund's largest holdings, dividend data and general shareholder information may be obtained by calling these numbers.

The foregoing information is also available on our web site: www.ceefund.com.

There are three closed-end funds investing in European equities advised and administered by wholly-owned subsidiaries of the Deutsche Bank Group:

- The Central Europe and Russia Fund, Inc.—investing primarily in equity or equity-linked securities of issuers domiciled in Central Europe and Russia (with normally at least 80% in securities of issuers in such countries).

- The European Equity Fund, Inc.—investing primarily in equity or equity-linked securities of companies domiciled in countries utilizing the euro currency (with normally at least 80% in securities of issuers in such countries).

- The New Germany Fund, Inc.—investing primarily in equity or equity-linked securities of middle market German companies with up to 20% in other Western European companies (with no more than 15% in any single country).

Please consult your broker for advice on any of the above or call 1-800-437-6269 (in the U.S.) or 00-800-2287-2750 (outside of the U.S.) for shareholder reports.

The Central Europe and Russia Fund, Inc. is non-diversified and can take larger positions in fewer issues, increasing its potential risk. Investing in foreign securities presents certain risks, such as currency fluctuations, political and economic changes, and market risks. Any fund that focuses in a particular segment of the market will generally be more volatile than a fund that invests more broadly.

The Central Europe and Russia Fund, Inc.

Annual Report

October 31, 2012

The Central Europe and Russia Fund, Inc.

LETTER TO THE SHAREHOLDERS

Dear Shareholder,

The Central Europe and Russia Fund delivered a total return in U.S. dollars (USD) of 2.97% in market price terms and 2.63% in net asset value terms for the full-year period ended October 31, 2012. The Fund's benchmark, the MSCI Emerging Markets Europe Index, returned 2.06% during the same period.1

The best-performing emerging European market, by a wide margin, was Turkey, rising over 30% in local terms during the year ended October 31, 2012. The Turkish lira remained fairly stable over the period, weakening only 1.2% against the USD. After a brief market correction that was triggered by ongoing concerns over high current account and trade balance deficits, accompanied by a slowing economy in the last two months of 2011, the Turkish equity market has seen steady demand since the middle of January 2012. The economy contracted briefly during the first calendar quarter of the year, then reaccelerated, posting 1.8% quarter-on-quarter GDP growth for the second calendar quarter of the year. The rebound, which continued at a slower pace into the third calendar quarter, was driven by buoyant exports. Household and investment spending remained contracted and kept imports broadly flat.

While the Fund was marginally underweight in Turkey for most of the year, good stock selection within the country resulted in outperformance and contributed positively to the Fund's returns. Overall, on an absolute basis over the past one-year period ended October 31, 2012, the Fund's stock picks in each of the five core countries (Russia, Turkey, Poland, Hungary and the Czech Republic) outperformed their respective country benchmarks. The strongest relative return came from Russia, the Fund's biggest country weighting, making up 68% of the net asset value

("NAV") at period-end, while the weakest relative return came from the Czech Republic, which represented only 3% of the portfolio. The Fund enters the fourth calendar quarter of 2012 with a 7.4% overweight in Russia, significantly higher than the 1.1% overweight seen at the end of Q2 2012. Historically, the fourth quarter is the seasonally strongest quarter for the Russian market.

From a sector perspective, the largest positive contribution to the yearly return came from the Fund's holdings in financials, specifically from its investments in diversified banks and from life and health insurance sector investments in Turkey and Poland. The telecommunication services sector also performed very well and displayed the desired defensive characteristics during periods of greater uncertainty. The largest negative contribution to return on a relative basis came from the energy and industrials sectors. Sectors currently overweight in the Fund include telecommunication services, materials, information technology and financials; these are funded by underweights in energy, utilities and consumer staples.2 Currencies vs. the U.S. dollar (USD) closed the fiscal year ended October 31, 2012 at mostly the same levels as a year ago, with the biggest detractors being the Russian ruble and Czech koruna, which depreciated 3.5% and 7.3%, respectively.

It is not unusual for the Fund's cash position to change from time to time to reflect investment opportunity, ranging from a high of 6.7% as of December 30, 2011 to a low of 0.90% as of September 30, 2012. While the Fund held more cash than normal at the beginning of the year, the Fund's cash allocation was reduced by 5.3% over the third calendar quarter to achieve full investment. The cash was mostly invested in the materials sector (primarily in Russia), and to a lesser extent in the energy (LUKOIL, Russia) and consumer

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discretionary (M Video, Russia) sectors. Portfolio management added to the Fund's gold exposure by increasing weightings in Russian gold miners, Polymetal International and Polyus Gold International. Given the aggressive step taken by the U.S. Federal Reserve Board (the Fed) to undertake open-ended quantitative easing (QE) and the high probability of the European Central Bank (ECB) also printing money by embarking on some form of quantitative easing, portfolio management expects the price of gold to move higher over the next few quarters, providing a boost to gold-mining stocks overall.3 As a result of the sizeable, above-benchmark allocation to Russia, the Fund holds relative underweights in each of the other core markets. The largest underweight is in Poland, followed by Turkey, Hungary and a nearly neutral position in the Czech Republic. All in all, the portfolio should be positioned for the ongoing rally to continue through the end of 2012.

Fund's Market Price and NAV

The Fund's discount to net asset value averaged 9.38% for the full year in review, compared with 9.33% for the same period a year earlier.

Economic Outlook

With the start of the final calendar quarter of 2012, renewed optimism surrounding global equity markets has returned. Reasons for this optimism are expected to remain and include 1) excess liquidity that should continue to prove supportive as central banks (most importantly, the Fed, the ECB, Bank of Japan and Bank of England) are easing, mitigating the downside risks of recession and further crisis; 2) global growth forecasts appear to have bottomed out and are expected to improve in 2013 versus 2012; 3) investor positioning (overall risk appetite) is estimated by

portfolio management to continue to be one standard deviation below its norm and the majority of long-term investors still seem significantly underweight in equities; 4) equity valuations remain low relative to their own history and other asset classes (i.e. fixed income), given the low interest rate environment across much of the globe; and 5) the pace of earnings downgrades appears to be slowing, at least temporarily.

For emerging markets (EM), one positive is that EM bond yields are at new all-time lows and well supported by the strong flows into EM debt funds that have been present all year. Conversely, emerging-equity markets are well off their previous highs and EM equity funds have only recently seen significant net inflows. We expect that the combination of a somewhat stronger growth outlook, coupled with the reduced probability of occurring downside risks, could lead to higher investor risk tolerance. This could encourage EM debt investors to switch part of their assets into EM equities. Such a positive scenario would likely prompt global asset allocators to increase exposure to EM equities, which have been among the worst-performing asset classes year-to-date. Counterbalancing somewhat the positive influences of the central banks' policy actions and other forms of stimulus highlighted above are lingering concerns whether any growth exhibited by the global economy is sustainable. The most pronounced of these concerns is the possibility of a renewed recession in Europe 2013 and the spillover impact that it would have on the United States and emerging-market economies, particularly in emerging Europe and China.

In emerging Europe, the economies of the region remain fragile, with the Czech Republic and Hungarian economies actually shrinking in Q2 2012 and posting weak data in the

For additional information about the Fund including performance, dividends, presentations, press releases, market updates, daily NAV and shareholder reports, please visit www.ceefund.com

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third quarter. In contrast, the three largest economies of the region (Russia, Turkey and Poland) continue to grow, though at a slower pace. This sluggishness in the economic environment within the region and the rest of the world remains a concern and is leading to a steady flow of downgrades to 2012 and 2013 earnings estimates for numerous emerging European stocks. The third quarter earnings season may well prove to be weak by historical standards for emerging Europe and globally. However, we believe that weak earnings should be at least partially discounted by investors, given the above-average number of negative preannouncements and cautious commentaries coming from corporate leaders around the world. Heading into the final three months of the year, the Central Europe and Russia

Fund should maintain a high level of investment.

As previously announced, effective February 1, 2012, the Fund's non-fundamental policy limiting its investments in securities of issuers domiciled in Russia was changed to increase the limit on such investments from 662/3% to 75% of the Fund's total assets.

On November 30, 2012 at the conclusion of the Fund's twelve week, Tender Offer Measurement period, shares of common stock of The Central Europe and Russia Fund, Inc. traded at an average discount to net asset value (NAV) of 10.18%. Under the terms of the Program, the Fund is required to conduct a tender offer if its shares trade at an average discount to NAV of more than 10% during the applicable twelve-week measurement period. Therefore, the Fund will conduct a tender offer for up to 5% of its outstanding shares at a price equal to 98% of NAV. For additional details concerning the Fund's repurchase program, please visit the web site at www.ceefund.com.

We are pleased to announce that, effective December 1, 2012, Odeniyaz Dzhaparov joined the Fund's portfolio

management team in Frankfurt. He brings the team a wealth of knowledge about Russia and Eastern Europe. Mr. Dzhaparov succeeds Robert Kalin who recently left the team after many years of distinguished service.

Sincerely,

Christian Strenger Chairman	Rainer Vermehren Lead Portfolio Manager	W. Douglas Beck President and Chief Executive Officer

The views expressed in the preceding discussion reflect those of the portfolio management team only through the end of the period of the report as stated on the cover. The management team's views are subject to change at any time based on market and other conditions and should not be construed as a recommendation. Past performance is no guarantee of future results. Current and future portfolio holdings are subject to risk.

1 The MSCI Emerging Markets Europe Index is a free-float-adjusted market-capitalization-weighted index that is designed to measure the equity market performance of the emerging-market countries of Europe. Index returns assume reinvested dividends and do not reflect any fees or expenses. It is not possible to invest directly in an index.

2 "Overweight" means the Fund holds a higher weighting in a given sector or security than the benchmark, while "underweight" means the Fund holds a lower weighting in a given sector or security than the benchmark.

3 Quantitative easing is a government monetary policy often used when interest rates are at or near zero. With this policy government or other securities are purchased from the market, causing the price of the securities purchased to rise and the yield or interest rates on the securities purchased to fall. For the companies whose bonds the central banks are willing to purchase, it means having to pay lower interest rates on new bonds issued to replace existing bonds that have matured. With lower borrowing costs, the central banks hope that it encourages consumers to spend more, thus helping the overall economy, and improving the balance sheets for the companies providing the goods and services on which consumers are spending their money.

For additional information about the Fund including performance, dividends, presentations, press releases, market updates, daily NAV and shareholder reports, please visit www.ceefund.com

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PERFORMANCE SUMMARY AS OF OCTOBER 31, 2012

All performance shown is historical, assumes reinvestment of all dividend and capital gain distributions, and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when sold, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Please visit www.ceefund.com for the Fund's most recent performance.

TOTAL RETURNS:

	For the years ended October 31,				
	2012	2011	2010	2009	2008
Net Asset Value(a)	2.63%	(12.43)%	24.70%	53.78%	(61.27)%
Market Value(a)	2.97%	(12.68)%	27.72%	68.05%	(65.28)%
MSCI Emerging Markets Europe Index(b)	2.06%	(9.99)%	19.52%	44.71%	(60.53)%

(a) Total return based on net asset value reflects changes in the Fund's net asset value during each period. Total return based on market value reflects changes in market value during each period. Each figure includes reinvestments of dividend and capital gain distributions, if any. These figures will differ depending upon the level of any discount from or premium to net asset value at which the Fund's shares trade during the period.
(b) The MSCI Emerging Markets Europe Index is a free-float-adjusted market-capitalization-weighted index that is designed to measure the equity market performance of the emerging-market countries of Europe.

Index returns assume reinvestment of dividends and, unlike Fund returns, do not reflect any fees or expenses and it is not possible to invest directly into an index.

Investments in funds involve risks, including the loss of principal.

This Fund is non-diversified and can take larger positions in fewer issues, increasing its potential risk. Investing in foreign securities presents certain risks, such as currency fluctuations, political and economic changes, and market risks. Any fund that focuses in a particular segment of the market will generally be more volatile than a fund that invests more broadly.

Closed-end funds, unlike open-end funds, are not continuously offered. Shares, once issued, are traded in the open market. Shares of closed-end funds frequently trade at a discount to net asset value. The price of the Fund's shares is determined by a number of factors, several of which are beyond the control of the Fund. Therefore, the Fund cannot predict whether its shares will trade at, below, or above net asset value.

The Fund has elected to be subject to the statutory calculation, notification and publication requirements of the German Investment Tax Act (Investmentsteuergesetz) (the "Act") for the fiscal year ended October 31, 2012 and intends to elect to be subject to the Act for the fiscal year ending October 31, 2013. This election allows investors based in Germany to invest in the Fund without adverse tax consequences.

FUND FACTS AND DIVIDEND AND CAP GAIN DISTRIBUTIONS AS OF OCTOBER 31, 2012

FUND FACTS:

Net Assets	$477,404,133
Shares Outstanding	13,132,942
Net Asset Value (NAV) Per Share	$ 36.35

OTHER INFORMATION:

NYSE Ticker Symbol	CEE
NASDAQ Symbol	XCEEX
Dividend Reinvestment Plan	Yes
Voluntary Cash Purchase Program	Yes
Annual Expense Ratio (10/31/12)	1.19%

Fund statistics and expense ratio are subject to change. Distributions are historical, will fluctuate and are not guaranteed.

DIVIDEND AND CAPITAL GAIN DISTRIBUTIONS:*

Record Date	Payable Date	Ordinary Income	ST Capital Gain	LT Capital Gain	Total Distribution
12/30/11	01/27/12**	$ 0.3710	$ 0.0000	$ 2.1150	$ 2.4860
12/31/10	01/28/11**	$ 0.2640	$ 0.0000	$ 0.0000	$ 0.2640
12/31/09	01/28/10**	$ 0.6506	$ 0.0000	$ 0.0000	$ 0.6506
12/15/08	12/31/08	$ 0.0702	$ 0.0000	$ 0.0000	$ 0.0702
12/21/07	12/31/07	$ 0.9477	$ 0.4648	$ 8.8442	$ 10.2567
12/21/06	12/28/06	$ 0.5840	$ 1.9400	$ 2.9920	$ 5.5160
12/20/05	12/30/05	$ 0.3300	$ 0.2150	$ 2.5070	$ 3.0520
12/22/04	12/31/04	$ 0.1700	$ 0.0000	$ 0.0000	$ 0.1700
12/22/03	12/31/03	$ 0.2200	$ 0.0000	$ 0.0000	$ 0.2200
11/19/01	11/29/01	$ 0.1000	$ 0.1300	$ 0.0000	$ 0.2300

* This Fund posts estimated capital gain information to its web site www.ceefund.com.

** Although this distribution was payable in January, it may have been taxable in the prior year.

SECTOR DIVERSIFICATION AS OF OCTOBER 31, 2012 (As a % of Equity Securities)

Energy	33.6%
Financials	27.7%
Materials	15.0%
Telecommunication Services	11.5%
Consumer Staples	3.9%
Information Technology	2.7%
Industrials	2.7%
Utilities	1.6%
Consumer Discretionary	1.3%
Total	100.0%

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10 LARGEST EQUITY HOLDINGS AS OF OCTOBER 31, 2012 (52.2%, as a % of Net Assets)

1.	Gazprom (Russia)	11.1%
2.	Sberbank (Russia)	9.1%
3.	LUKOIL (Russia)	9.0%
4.	NovaTek (Russia)	4.5%
5.	Uralkali (Russia)	3.7%
6.	Tatneft (Russia)	3.7%
7.	Mobile Telesystems (Russia)	3.4%
8.	Powszechna Kasa Oszczednosci Bank Polski (Poland)	2.7%
9.	Magnit (Russia)	2.6%
10.	MMC Norilsk Nickel (Russia)	2.4%

COUNTRY BREAKDOWN AS OF OCTOBER 31, 2012 (As a % of Net Assets)*

Country Breakdown and 10 Largest Equity Holdings are subject to change and not indicative of future portfolio composition.

For more complete details about the Fund's Schedule of Investments, see page 12.

Following the Fund's fiscal first and third quarter-end, a complete portfolio holdings listing is filed with the SEC on Form N-Q. This form is available on the SEC's web site at www.sec.gov, and it may also be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the SEC's Public Reference room may be obtained by calling (800) SEC-0330. A complete list of the Fund's portfolio holdings and the Fund's sector breakdown compared to that of its benchmark as of the month end is posted on www.ceefund.com on or after the last day of the following month. More frequent postings of portfolio holdings information may be made from time to time on www.ceefund.com.

*Securities listed in country where the significant business of the company is located.

**Includes Cash Equivalents and Other Assets and Liabilities, net.

INTERVIEW WITH LEAD PORTFOLIO MANAGER — RAINER VERMEHREN

Question 1: What is the investment case for preferring investments in Russia for the remainder of the calendar year?

Answer: Historically, the fourth quarter has been a seasonally strong quarter for Russian equities; we expect this may again be the case in 2012. Having seen some upward revisions in China's GDP, combined with more reassuring U.S. jobs data, we feel that for the coming months, the fundamental case for oil — Russia's most important commodity — has improved. During the summer months, Russian equities experienced a short-lived upswing, triggered by the third round of U.S. quantitative easing, yet with oil prices falling again since September and the lack of major inflows into global equity funds, Russian equities have lagged. We expect an inflection point for China GDP that is likely to prove supportive for oil and other commodities.

Question 2: What made Turkey one of the best equity markets year-to-date?

Answer: Turkey offers one thing that is in short supply globally — definitive growth potential, with GDP growth at around 4%. The generally better-than-expected second-quarter earnings season (latest reported), particularly at Turkish banks, along with management guidance for the second half of calendar 2012, seem to suggest upside potential to fiscal year 2012 market consensus estimates. The Turkish banking sector, which accounts for roughly 50% of the MSCI Turkey Index, was a strong performer in third quarter 2012, profiting from Moody's ratings upgrades of many Turkish banks, lower bond yields and a stronger currency.1 This Turkish equity index rose until mid-September as bond yields fell toward the lowest since January 2011, amid rising money inflows and the increased likelihood of a soft landing of the Turkish economy. While this Turkish equity index is flirting with overbought territory, we believe the positive structural outlook for the country is likely to provide a medium-to-long-term tailwind and could support a rising risk appetite within global emerging-market portfolios.

Question 3: What emerging Europe countries have the least exposure to Western Europe?

Answer: This may also be part of the answer to question two above, with Turkey displaying some of the least

exposure to developed Europe. For Poland, Hungary and the Czech Republic, the Eurozone is a destination for more than half of their exports.2 Russia's exports to the Eurozone are just 35% of the country's total and mainly in energy, where demand is rather stable. Russia, Turkey, and to some extent Poland, enjoy enough resilient domestic demand to get some immunity from the European malaise. Turkey again stands tall here because the country has few natural resources and relies on its diversified economy. Its revenues, representing domestic production and exports, are about 76% domestic, with the most important foreign markets being developed Europe, representing only 11% of sales; the Middle East and North Africa (MENA), representing 5% of sales; and emerging Europe, representing 3% of sales. Turkey's domestic market generates 55% of sales from consumer spending, 34% from corporate spending and 11% from government spending, making it fairly isolated from the European sovereign debt crisis.3

1 The MSCI Turkey Index is designed to measure the performance of the large- and mid-cap segments of the Turkish market. With 24 constituents, the index covers about 84% of the equity universe in Turkey. It is not possible to invest directly in an index.
2 The Eurozone refers to a currency union among the 17 members of the European Union states that have adopted the euro as their sole currency.
3 Sovereign debt is debt that is issued by a national government.

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DIRECTORS OF THE FUND

Name, Address, Age*	Term of Office and Length of Time Served†	Principal Occupation(s) During Past Five Years††	Other Directorships Held by Director
Detlef Bierbaum, 70(1)	Class I Since 1990	Consultant (since 2010). He is also Vice Chairman of the Supervisory Board of Oppenheim KAG GmbH (asset management) and a member of the Supervisory Board of Deutsche Bank Österreich AG (private bank) for more than five years. Mr. Bierbaum also serves as a member of the Board or Supervisory Board of a number of non-U.S. investment companies and of companies in diverse businesses including insurance, reinsurance, real estate, and retailing. He is a former member of the Supervisory Board of Sal. Oppenheim Jr. & Cie. KGaA (private bank) (2008 to March 2010) and was formerly a partner of that firm. He is also a former member of the Supervisory Board of DWS Investment GmbH (asset management) (2005-2008).	Director, The European Equity Fund, Inc. (since 1986) and The New Germany Fund, Inc. (since 2008).
Ambassador Richard R. Burt, 65(1)	Class II Since 2000	Managing Director, McLarty Associates (international strategic advisory) (since 2007). Formerly, Chairman, Diligence, Inc. (international information and risk management firm) (2002-2007); Chairman of the Board, Weirton Steel Corp. (1996-2004); Partner, McKinsey &	Director, The European Equity Fund, Inc. (since 2000) and The New Germany Fund, Inc. (since 2004). Director, UBS family of mutual funds (since 1995).

Company (consulting firm) (1991-1994); State Department, Chief Negotiator in charge of negotiating the Arms Treaty with Russia (1989-1991); U.S. Ambassador to the Federal Republic of Germany (1985-1989). Mr. Burt is also Director, IGT, Inc. (gaming technology) (since 1995), and HCL Technologies, Inc. (information technology and product engineering) (since 1999) and member, Textron Inc. International Advisory Council (aviation, automotive, industrial operations and finance) (since 1996).

DIRECTORS OF THE FUND (continued)

Name, Address, Age*	Term of Office and Length of Time Served†	Principal Occupation(s) During Past Five Years††	Other Directorships Held by Director
Richard Karl Goeltz, 70(1)	Class II Since 2008	Retired. Formerly, Vice Chairman and Chief Financial Officer of American Express Co. (financial services) (1996-2000) and previously served as chief financial officer of two other major multi-national corporations. Mr Goeltz is a member of the Council and Court of Governors of the London School of Economics and Political Science, and Trustee of the American Academy in Berlin.	Director, The European Equity Fund, Inc. (since 2008) and The New Germany Fund, Inc. (since 1990). Independent Non-Executive Director of Aviva plc (financial services) and The Warnaco Group Inc. (apparel). Formerly director of Federal Home Loan Mortgage Corporation and Delta Air Lines, Inc. (air transport).
Dr. Franz Wilhelm Hopp, 70(1)	Class III Since 2008	Partner of Laplace Finanzconsulting GmbH (asset management). Member of the Supervisory Board WAVE AG (asset management). Former member of the Board of Management of KarstadtQuelle Pension Trust e.V. (February 2007-September 2009).	Director, The European Equity Fund, Inc. (since 2008) and The New Germany Fund, Inc. (since 1993).
	Class II		

Dr. Friedbert H. Malt, 71(1)	Since 2007	Vice Chairman and Member of the Executive Committee of NOL Neptune Orient Lines Ltd., Singapore ("NOL") from 2002 to 2011 and Director of NOL from 2000 to 2011. He currently is also a Director of TÜV Rheinland of North America, Inc., a company offering independent testing and assessment services. Formerly, Dr. Malt was a Member of the Executive Board of DG Bank (now DZ Bank), Frankfurt (until 2001).	Director, The European Equity Fund, Inc. (since 2007) and The New Germany Fund, Inc. (since 2007).

DIRECTORS OF THE FUND (continued)

Name, Address, Age*	Term of Office and Length of Time Served†	Principal Occupation(s) During Past Five Years††	Other Directorships Held by Director
Christian H. Strenger, 69(1)(2)	Class III Since 1990	Member of Supervisory Board (since 1999) and formerly Managing Director (1991-1999) of DWS Investment GmbH (investment management), a subsidiary of Deutsche Bank AG. Mr. Strenger is also Member, Supervisory Board, Evonik Industries AG (chemical, utility and property business), Fraport AG (international airport business), Hermes Equity Ownership Services Ltd. (governance advisory) and TUI AG (travel business). He also is a member of the German Government's Commission on Corporate Governance and other corporate governance organizations, and serves as Director of the Center for Corporate Governance at the Leipzig Graduate School of Management.	Director and Chairman, The European Equity Fund, Inc. (since 1986) and The New Germany Fund, Inc. (since 1990).
Robert H. Wadsworth, 72(1)(3)	Class II Since 1990	President, Robert H. Wadsworth Associates, Inc. (consulting firm) (1983-present).	Director, The European Equity Fund, Inc. (since 1986) and The New Germany Fund, Inc. (since 1992), as well as other DWS

funds.

DIRECTORS OF THE FUND (continued)

Name, Address, Age*	Term of Office and Length of Time Served†	Principal Occupation(s) During Past Five Years††	Other Directorships Held by Director
Joachim Wagner, 65(1)	Class III Since 2012	Chief Financial Officer, RAG Beteiligungs AG/Evonik Industries AG, Germany (mining holding company) (2006-2009). Formerly, Chief Financial Officer, Degussa AG, Germany (chemical manufacturer) (2001-2006). Mr. Wagner is also a member of the Supervisory Board of a German retail bank and a member of the advisory board of a private German bank.	Director, The European Equity Fund, Inc. (since 2009) and The New Germany Fund, Inc. (since 2009).

(1) Indicates that the Director also serves as a Director of The European Equity Fund, Inc. and The New Germany Fund, Inc., two other closed-end registered investment companies for which Deutsche Investment Management Americas Inc. acts as Administrator and Deutsche Asset Management International GmbH acts as Investment Adviser.
(2) Indicates "interested" Director, as defined in the Investment Company Act of 1940, as amended (the "1940 Act"). Mr. Strenger is an "interested" Director because of his affiliation with DWS-Deutsche Gesellschaft für Werpapiersparen mbH ("DWS"), an indirect wholly-owned subsidiary of Deutsche Bank AG, and because of this ownership of Deutsche Bank AG shares.
(3) Indicates that Mr. Wadsworth also serves as Director/Trustee of the DWS Investments' open-end and closed-end investment companies. These Funds are advised by Deutsche Investment Management Americas Inc., an indirect wholly-owned subsidiary of Deutsche Bank AG.
* The address of each Director is c/o Deutsche Investment Management Americas Inc., 345 Park Avenue, NYC20-2799, New York, NY 10154.
† The term of office for Directors in Class I expires at the 2013 Annual Meeting, Class II expires at the 2014 Annual Meeting and Class III expires at the 2015 Annual Meeting.
†† The information above includes each Director's principal occupation during the last five years and other information relating to the experience, attributes and skills relevant to each Director's qualifications to serve as a Director, which led (together with the Director's current and prior experience as a Director of other SEC reporting companies, if any, as indicated elsewhere in the table) to the conclusion that each Director should serve as a Director for the Fund.

OFFICERS OF THE FUND*

Name, Age	Principal Occupations During Past Five Years
W. Douglas Beck, CFA(1,2), 45 President and Chief Executive Officer	Managing Director(3), Deutsche Asset Management (since 2006); President of DWS family of funds and Head of Product Management, US for DWS Investments. Formerly, Executive Director, Head of Product Management (2002-2006) and President (2005-2006) of the UBS Funds at UBS Global Asset Management; Co-Head of Manager Research/Managed Solutions Group, Merrill Lynch (1998-2002).
Paul H. Schubert(2,4), 49 Chief Financial Officer and Treasurer	Managing Director(3), Deutsche Asset Management (since 2004). Formerly, Executive Director, Head of Mutual Fund Services and Treasurer for UBS Family of Funds at UBS Global Asset Management (1998-2004).
Rainer Vermehren(5,6), 44 Vice President	Director(3), DWS Investment GmbH (since 2007). Fund Manager, DWS Investment GmbH (since 1997).
Melinda Morrow(2,7), 42 Vice President	Director(3), Deutsche Asset Management.
John Millette(8,9), 50 Secretary	Director(3), Deutsche Asset Management (since 2002).
Caroline Pearson(9,10), 50 Chief Legal Officer	Managing Director(3), Deutsche Asset Management. Formerly, Assistant Secretary for DWS family of funds (1997-2010).
Alexis Kuchinsky(2,11), 36 Chief Compliance Officer	Vice President, Deutsche Asset Management (since 2002); Head of Compliance Program Oversight of Deutsche Asset Management.
John Caruso(2,5), 47 Anti-Money Laundering Compliance Officer	Managing Director(3), Deutsche Asset Management.

Each also serves as an Officer of The European Equity Fund, Inc. and The New Germany Fund, Inc., two other closed-end registered investment companies for which Deutsche Investment Management Americas Inc. acts as Administrator.

* As a result of their respective positions held with the Administrator, these individuals are considered "interested persons" of the Administrator within the meaning of the 1940 Act. Interested persons receive no compensation directly from the Fund.
(1) Since May 19, 2011.
(2) Address: 60 Wall Street, New York, New York 10005.
(3) Executive title, not a board directorship.
(4) Since November 5, 2004.
(5) Since February 1, 2010.
(6) Address: Mainzer Landstraße 178-190, Frankfurt am Main, Germany.
(7) Since April 27, 2012.
(8) Since January 1, 2011. Served as Assistant Secretary from July 14, 2006 to December 31, 2010 and as Secretary to the Fund from January 30, 2006 to July 13, 2006.
(9) Address: One Beacon Street, Boston, Massachusetts 02108.
(10) Since May 21, 2012.
(11) Since August 24, 2009.

THE CENTRAL EUROPE AND RUSSIA FUND, INC.

SCHEDULE OF INVESTMENTS — OCTOBER 31, 2012

Shares	Description	Value(a)
INVESTMENTS IN RUSSIA – 67.8%		
	COMMON STOCKS – 64.7%	
	CHEMICALS – 3.7%	
450,000	Uralkali (GDR) Reg S	$ 17,631,000
	COMMERCIAL BANKS – 10.5%	
14,900,000	Sberbank	43,628,690
1,930,000	VTB Bank (GDR) Reg S	6,650,780
		50,279,470
	CONSTRUCTION MATERIALS – 1.0%	
1,000,000	LSR Group (GDR) Reg S	4,815,000
	DIVERSIFIED TELECOMMUNICATION SERVICES – 0.4%	
500,000	Rostelecom	1,989,550
	ELECTRIC UTILITIES – 0.5%	
216,633	OJSC Enel OGK-5 (GDR)*	599,337
750,000	RusHydro (ADR)†	1,780,500
		2,379,837

Shares	Description	Value(a)
	FOOD & STAPLES RETAILING – 2.6%	
350,000	Magnit (GDR) Reg S	12,425,000
	INDEPENDENT POWER PRODUCERS & ENERGY TRADERS – 0.1%	
3,200,000	E.ON Russia	262,944
	INTERNET SOFTWARE & SERVICES – 2.5%	
150,000	Mail.ru Group (GDR) Reg S	4,987,500
300,000	Yandex*†	7,047,000
		12,034,500
	METALS & MINING – 6.5%	
500,000	Mechel Steel Group†	3,150,000
57,884	MMC Norilsk Nickel	8,911,902
160,000	MMC Norilsk Nickel (ADR)†	2,427,200
354,302	Polymetal International	6,362,047
1,500,000	Polyus Gold International*	4,986,816
400,000	Severstal	4,917,680
		30,755,645

Shares	Description	Value(a)
	OIL, GAS & CONSUMABLE FUELS – 28.4%	
3,198,000	Gazprom	$ 14,787,232
4,200,000	Gazprom (ADR)†	38,367,000
300,000	LUKOIL	18,218,970
415,000	LUKOIL (ADR)	24,949,800
190,000	NovaTek (GDR) Reg S	21,660,000
450,000	Tatneft (ADR)	17,433,000
		135,416,002
	REAL ESTATE MANAGEMENT & DEVELOPMENT – 1.2%	
1,000,000	Etalon Group (GDR) Reg S*	5,780,000
	SPECIALTY RETAIL – 1.2%	
750,000	M Video	5,902,725
	WIRELESS TELECOMMUNICATION SERVICES – 6.1%	
1,200,000	Mobile Telesystems	8,830,920
200,000	Mobile Telesystems (ADR)	3,270,420
250,000	Mobile Telesystems (GDR) Reg S	4,088,025
400,000	Sistema JSFC (GDR) Reg S	7,340,000
525,000	VimpelCom (ADR)†	5,680,500
		29,209,865
	Total Common Stocks (cost $260,225,540)	308,881,538
	PREFERRED STOCKS – 3.1%	
	DIVERSIFIED TELECOMMUNICATION SERVICES – 1.0%	
1,600,000	Rostelecom (cost $5,151,597)	4,688,960

	OIL, GAS & CONSUMABLE FUELS – 2.1%	
	AK Transneft	
2,000	(cost $2,715,420)	3,999,553
	Surgutneftegaz (ADR) †	
1,000,000	(cost $4,690,963)	6,059,600
		10,059,153
	Total Preferred Stocks	
	(cost $12,557,980)	14,748,113
	Total Investments in Russia	
	(cost $272,783,520)	323,629,651

The accompanying notes are an integral part of the financial statements.

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THE CENTRAL EUROPE AND RUSSIA FUND, INC.

SCHEDULE OF INVESTMENTS — OCTOBER 31, 2012 (continued)

Shares	Description	Value(a)
INVESTMENTS IN TURKEY – 12.6%		
	COMMERCIAL BANKS – 5.8%	
750,000	Akbank	$ 3,610,028
2,250,000	Turkiye Garanti Bankasi	10,729,805
450,000	Turkiye Halk Bankasi†	3,961,003
1,700,000	Turkiye IS Bankasi	5,777,159
1,400,000	Yapi ve Kredi Bankasi*	3,587,743
		27,665,738
	CONSTRUCTION & ENGINEERING – 1.0%	
1,350,000	Tekfen Holding	4,873,537
	DIVERSIFIED FINANCIAL SERVICES – 0.5%	
500,000	Haci Omer Sabanci Holding	2,635,097
	FOOD & STAPLES RETAILING – 1.1%	
65,000	Bim Birlesik Magazalar	3,014,624
175,000	Bizim Toptan Satis Magazalari†	2,393,454
		5,408,078
	INDUSTRIAL CONGLOMERATES – 0.6%	
550,000	Akfen Holding*	2,782,173
	INSURANCE – 0.7%	
1,250,000	Anadolu Hayat Emeklilik	3,119,777
	METALS & MINING – 0.9%	
200,000	Koza Altin Isletmeleri	4,345,404

Shares	Description	Value(a)
	OIL, GAS & CONSUMABLE FUELS – 1.0%	
200,000	Tupras Turkiye Petrol Rafinerileri	4,880,223
	TRANSPORTATION INFRASTRUCTURE – 0.9%	
850,000	TAV Havalimanlari Holding	4,214,485
	WIRELESS TELECOMMUNICATION SERVICES – 0.1%	
47,444	Turkcell Iletism Hizmetleri*	289,422
	Total Investments in Turkey (cost $34,353,486)	60,213,934

Shares	Description	Value(a)
INVESTMENTS IN POLAND – 9.2%		
	COMMERCIAL BANKS – 3.7%	
105,000	Bank Pekao	$ 5,046,241
1,150,000	Powszechna Kasa Oszczednosci Bank Polski	12,867,108
		17,913,349
	DIVERSIFIED TELECOMMUNICATION SERVICES – 1.8%	
1,950,000	Netia*†	3,551,790
1,285,231	Telekomunikacja Polska	4,859,203
		8,410,993
	INSURANCE – 1.7%	
70,000	Powszechny Zaklad Ubezpieczen	8,185,466
	METALS & MINING – 2.0%	
190,000	KGHM Polska Miedz†	9,578,030
	Total Investments in Poland (cost $31,877,286)	44,087,838
INVESTMENTS IN CZECH REPUBLIC – 3.0%		
	COMMERCIAL BANKS – 0.5%	
12,500	Komercni Banka	2,548,782
	DIVERSIFIED TELECOMMUNICATION SERVICES – 1.5%	
350,000	Telefonica Czech Republic	6,964,949
	ELECTRIC UTILITIES – 1.0%	
125,000	Ceske Energeticke Zavody	4,604,584
	Total Investments in Czech Republic (cost $10,448,645)	14,118,315
INVESTMENTS IN HUNGARY –		

1.2%		
	COMMERCIAL BANKS – 1.2%	
300,000	OTP Bank	5,693,511
	Total Investments in Hungary (cost $1,642,741)	5,693,511
	Total Investments in Common and Preferred Stocks – 93.8% (cost $351,105,678)	447,743,249

The accompanying notes are an integral part of the financial statements.

THE CENTRAL EUROPE AND RUSSIA FUND, INC.

SCHEDULE OF INVESTMENTS — OCTOBER 31, 2012 (continued)

Shares	Description	Value(a)
SECURITIES LENDING COLLATERAL – 6.0%		
28,634,444	Daily Assets Fund Institutional, 0.21% (cost $28,634,444)(b)(c)	$ 28,634,444
CASH EQUIVALENTS – 0.7%		
3,388,830	Central Cash Management Fund, 0.18% (cost $3,388,830)(c)	3,388,830
	Total Investments – 100.5% (cost $383,128,952)**	479,766,523
	Other Assets and Liabilities, Net – (0.5%)	(2,362,390)
	NET ASSETS – 100.0%	$477,404,133

* Non-income producing security.

** The cost for federal income tax purposes was $383,595,830. At October 31, 2012, net unrealized appreciation for all securities based on tax cost was $96,170,693. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $131,367,004 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $35,196,311.

† All or a portion of these securities were on loan (see Notes to Financial Statements). The value of all securities loaned at October 31, 2012 amounted to $26,968,439, which is 5.6% of net assets.

(a) Value stated in U.S. dollars.

(b) Represents collateral held in connection with securities lending. Income earned by the Fund is net of borrower rebates.

(c) Affiliated fund managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.

ADR – American Depositary Receipt

GDR – Global Depositary Receipt

Reg S – Securities sold under Regulation S may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act of 1933.
For purposes of its industry concentration policy, the Fund classifies issuers of portfolio securities at the industry sub-group level. Certain of the categories in the above Schedule of Investments consist of multiple industry subgroups or industries.

The accompanying notes are an integral part of the financial statements.

Fair Value Measurements
Various inputs are used in determining the value of the Fund's investments. These inputs are summarized in three broad levels. Level 1 includes quoted prices in active markets for identical securities. Level 2 includes other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds and credit risk). Level 3 includes significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments). The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The following is a summary of the inputs used as of October 31, 2012 in valuing the Fund's investments. For information on the Fund's policy regarding the valuation of investments, please refer to the Security Valuation section of Note 1 in the accompanying Notes to Financial Statements.

Category	Level 1	Level 2	Level 3	Total
Common Stocks and/or Other Equity Investments(1)				
Russia	$323,030,314	$ 599,337(2)	$ —	$323,629,651
Turkey	60,213,934	—	—	60,213,934
Poland	44,087,838	—	—	44,087,838
Czech Republic	14,118,315	—	—	14,118,315
Hungary	5,693,511	—	—	5,693,511
Short-Term Instruments(1)	32,023,274	—	—	32,023,274
Total	$479,167,186	$ 599,337	$ —	$479,766,523

(1) See Schedule of Investments for additional detailed categorizations.

(2) Transfers between Level 2 and Level 1 comprised the following security: Tatneft. This investment was transferred from Level 2 to Level 1 due to the availability of quoted prices on a securities exchange.

The accompanying notes are an integral part of the financial statements.

STATEMENT OF ASSETS AND LIABILITIES

OCTOBER 31, 2012

ASSETS	
Investments in non-affiliated securities, at value (cost $351,105,678) — including $26,968,439 of securities loaned	$ 447,743,249
Investment in Central Cash Management Fund (cost $3,388,830)	3,388,830
Investment in Daily Assets Fund Institutional (cost $28,634,444)*	28,634,444
Total Investments, at value (cost $383,128,952)	479,766,523
Foreign currency, at value (cost $816,550)	831,212
Receivable for investments sold	29,969,826
Dividends receivable	1,292,918
Interest receivable	10,022
Other assets	1,023
Total assets	511,871,524
LIABILITIES	
Payable upon return of securities loaned	28,634,444
Payable for investments purchased	4,935,401
Payable for fund shares repurchased	105,744
Fund administration fee payable	93,782
Investment advisory fee payable	272,224
Payable for Directors' fees and expenses	49,976
Accrued expenses and other liabilities	375,820
Total liabilities	34,467,391
NET ASSETS	$ 477,404,133
Net assets consist of:	
Paid-in capital, $0.001 par (Authorized 80,000,000 shares)	$ 513,919,615
Cost of 6,345,780 shares held in Treasury	(146,857,858)
Undistributed net investment income	9,529,067
Accumulated net realized gain on investments and foreign currency	4,093,897
Net unrealized appreciation (depreciation) on:	
Investments	96,637,571
Foreign currency	81,841
Net assets	$ 477,404,133
Net assets value per share ($477,404,133 ÷ 13,132,942 shares of common stock issued and outstanding)	$ 36.35

*Represents collateral on securities loaned.

The accompanying notes are an integral part of the financial statements.

THE CENTRAL EUROPE AND RUSSIA FUND, INC.

STATEMENT OF OPERATIONS

	For the year ended October 31, 2012
NET INVESTMENT INCOME	
Income:	
Dividends (net of foreign withholding taxes of $2,837,702)	$15,356,927
Interest	229
Income distributions — Central Cash Management Fund	16,752
Securities lending, including income from Daily Assets Fund Institutional, net of borrower rebates	311,783
Total investment income	15,685,691
Expenses:	
Management fee	671,815
Investment advisory fee	2,619,731
Fund administration fee	717,624
Custodian fee	786,547
Services to shareholders	19,093
Reports to shareholders	92,126
Directors' fees and expenses	186,454
Legal fees	303,415
Audit and tax fees	102,407
NYSE listing fee	23,729
Insurance	73,921
Miscellaneous	40,881
Net expenses	5,637,743
Net investment income	10,047,948
REALIZED AND UNREALIZED GAIN (LOSS)	
Net realized gain (loss) from:	
Investments	4,649,364
Foreign currency	(35,124)
Net realized gain (loss)	4,614,240
Change in net unrealized appreciation (depreciation) on:	
Investments	(6,141,494)
Foreign currency	91,047
Change in net unrealized appreciation (depreciation)	(6,050,447)
Net gain (loss)	(1,436,207)
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	$ 8,611,741

The accompanying notes are an integral part of the financial statements.

THE CENTRAL EUROPE AND RUSSIA FUND, INC.

STATEMENT OF CHANGES IN NET ASSETS

	For the year ended October 31, 2012	For the year ended October 31, 2011
INCREASE (DECREASE) IN NET ASSETS		
Operations:		
Net investment income	$ 10,047,948	$ 6,422,115
Net realized gain (loss)	4,614,240	44,912,324
Change in net unrealized depreciation	(6,050,447)	(124,802,205)
Net increase (decrease) in net assets resulting from operations	8,611,741	(73,467,766)
Distributions to shareholders from:		
Net investment income	(4,911,716)	(3,599,627)
Net realized gain	(28,000,751)	—
Total distributions to shareholders	(32,912,467)	(3,599,627)
Capital share transactions:		
Net proceeds from reinvestment of dividends (394,788 and 0 shares, respectively)	12,874,022	—
Cost of shares repurchased (530,644 and 371,393 shares, respectively)	(17,098,411)	(14,578,880)
Net decrease in net assets from capital share transactions	(4,224,389)	(14,578,880)
Total decrease in net assets	(28,525,115)	(91,646,273)
NET ASSETS		
Beginning of year	505,929,248	597,575,521
End of year (including undistributed net investment income of $9,529,067 and $4,427,959, as of October 31, 2012 and October 31, 2011, respectively)	$477,404,133	$ 505,929,248

The accompanying notes are an integral part of the financial statements.

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THE CENTRAL EUROPE AND RUSSIA FUND, INC.

FINANCIAL HIGHLIGHTS

Selected data for a share of common stock outstanding throughout each of the years indicated:

	For the years ended October 31, 2012	2011	2010	2009	2008
Per share operating performance:					
Net asset value:					
Beginning of year	$ 38.13	$ 43.81	$ 35.89	$ 23.38	$ 71.18
Net investment income(a)	.75	.47	.30	.46	.80
Net realized and unrealized gain (loss) on investments and foreign currency	(.08)	(6.00)	7.98	11.85	(38.16)
Increase (decrease) from investment operations	.67	(5.53)	8.28	12.31	(37.36)
Distributions from net investment income	(.37)	(.26)	(.65)	(.07)	(.95)
Distributions from net realized gains	(2.12)	—	—	—	(9.31)
Total distributions	(2.49)	(.26)	(.65)	(.07)	(10.26)

Dilution in net asset value from dividend reinvestment	(.10)	—	(.03)	—	(.22)
Increase resulting from share repurchases	.14	.11	.32	.27	.04
Net asset value:					
End of year	$ 36.35	$ 38.13	$ 43.81	$ 35.89	$ 23.38
Market value:					
End of year	$ 32.98	$ 34.47	$ 39.72	$ 31.70	$ 18.94
Total investment return for the year†					
Based upon market value	2.97%	(12.68)%	27.72%	68.05%	(65.28)%
Based upon net asset value	2.63%	(12.43)%	24.70%	53.78%	(61.27)%
Ratio to average net assets:					
Total expenses	1.19%	1.11%	1.14%	1.21%	1.10%
Net investment income	2.11%	1.05%	.79%	1.86%	1.48%
Portfolio turnover	31%	33%	24%	50%	48%
Net assets at end of year (000's omitted)	$ 477,404	$ 505,929	$ 597,576	$ 525,554	$ 372,957

(a) Based on average shares outstanding during the year.

†Total return based on net asset value reflects changes in the Fund's net asset value during each period. Total return based on market value reflects changes in market value during each period. Each figure includes reinvestments of dividend and capital gain distributions, if any. These figures will differ depending upon the level of any discount from or premium to net asset value at which the Fund's shares trade during the period.

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THE CENTRAL EUROPE AND RUSSIA FUND, INC.

NOTES TO FINANCIAL STATEMENTS — OCTOBER 31, 2012

NOTE 1. ACCOUNTING POLICIES

The Central Europe and Russia Fund, Inc. (the "Fund") is a non-diversified, closed-end management investment company incorporated in Maryland. The Fund commenced investment operations on March 6, 1990.

The following is a summary of significant accounting policies followed by the Fund in the preparation of its financial statements. The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

Security Valuation: The Fund calculates its net asset value per share for publication at 11:30 a.m., New York time.

Various inputs are used in determining the value of the Fund's investments. These inputs are summarized in three broad levels. Level 1 includes quoted prices in active markets for identical securities. Level 2 includes other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, and credit risk). Level 3 includes significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments). The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

Equity securities are valued at the most recent sale price or official closing price reported on the exchange (U.S. or foreign) or over-the-counter market on which they trade prior to the time of valuation and are categorized as Level 1 securities. Securities for which no sales are reported are valued at the calculated mean between the most recent bid and asked quotations on the relevant market or, if a mean cannot be determined, at the most recent bid quotation.

Investments in open-end investment companies are valued at their net asset value each business day and are categorized as Level 1.

Securities and other assets for which market quotations are not readily available or for which the above valuation

procedures are deemed not to reflect fair value are valued in a manner that is intended to reflect their fair value as determined in accordance with procedures approved by the Board and are generally categorized as Level 3. In accordance with the Fund's valuation procedures, factors used in determining value may include, but are not limited to, the type of security; the size of the holding; the initial cost of the security; the existence of any contractual restrictions on the security's disposition; the price and extent of public trading in similar securities of the issuer or of comparable companies; quotations or evaluated prices from broker-dealers and/or the appropriate stock exchange (for exchange-traded securities); an analysis of the company's or issuer's financial statements; an evaluation of the forces that influence the issuer and the market(s) in which the security is purchased and sold and with respect to debt securities; the maturity, coupon, creditworthiness, currency denomination, and the movement of the market in which the security is normally traded. The value determined under these procedures may differ from published values for the same securities.

Disclosure about the classification of the fair value measurements is included in a table following the Fund's Schedule of Investments.

Securities Transactions and Investment Income: Investment transactions are accounted for on a trade date plus one basis for daily net asset value calculation. However, for financial reporting purposes, investment security transactions are reported on trade date. Interest income is recorded on the accrual basis. Dividend income is recorded on the ex-dividend date net of foreign withholding taxes. Certain dividends from foreign securities may be recorded subsequent to the ex-dividend date as soon as the Fund is informed of such dividends. Realized gains and losses from investment transactions are recorded on an identified cost basis and may include proceeds from litigation.

Securities Lending: The Fund lends securities to certain financial institutions. The Fund retains beneficial ownership of the securities it has loaned and continues to receive interest and dividends paid by the issuer of securities and to participate in any changes in their market value. The Fund

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requires the borrowers of the securities to maintain collateral with the Fund consisting of either cash or liquid, unencumbered assets having a value in excess of the value of the securities loaned. When the collateral falls below specified amounts, the lending agent will use its best effort to obtain additional collateral on the next business day to meet required amounts under the security lending agreement. The Fund may invest the cash collateral into a joint trading account in an affiliated money market fund pursuant to Exemptive Orders issued by the SEC. Deutsche Investment Management Americas Inc. receives a management/administration fee (0.11% annualized effective rate as of October 31, 2012) on the cash collateral invested in the affiliated money fund. The Fund receives compensation for lending its securities either in the form of fees or by earning interest on invested cash collateral net of borrower rebates and fees paid to a lending agent. Either the Fund or the borrower may terminate the loan. There may be risks of delay and costs in recovery of securities or even loss of rights in the collateral should the borrower of the securities fail financially. The Fund is subject to all investment risks associated with the reinvestment of any cash collateral received, including, but not limited to, interest rate, credit and liquidity risk associated with such investments.

Foreign Currency Translation: The books and records of the Fund are maintained in United States dollars.

Assets and liabilities denominated in foreign currency are translated into United States dollars at the 11:00 a.m. midpoint of the buying and selling spot rates quoted by the Federal Reserve Bank of New York. Purchases and sales of investment securities, income and expenses are reported at the rate of exchange prevailing on the respective dates of such transactions. Net realized and unrealized gains and losses on foreign currency transactions represent net gains and losses between trade and settlement dates on securities transactions, foreign currencies, and the difference between the amount of net investment income accrued and the U.S. dollar amount actually received. The portion of both realized and unrealized gains and losses on investments that results from fluctuations in foreign currency exchange rates is not separately disclosed but is included with net realized

and unrealized gain/appreciation and loss/depreciation on investments.

Contingencies: In the normal course of business, the Fund may enter into contracts with service providers that contain general indemnification clauses. The Fund's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Fund that have not yet occurred. However, based on experience, the Fund expects the risk of loss to be remote.

Taxes: No provision has been made for United States Federal income tax because the Fund intends to meet the requirements of the United States Internal Revenue Code applicable to regulated investment companies and to distribute all of its taxable income to shareholders.

Additionally, based on the Fund's understanding of the tax rules and rates related to income, gains and transactions for the foreign jurisdictions in which it invests, the Fund will provide for foreign taxes, and where appropriate, deferred foreign taxes.

Under the Regulated Investment Company Modernization Act of 2010, net capital losses may be carried forward indefinitely, and their character is retained as short-term and/or long-term. Previously, net capital losses were carried forward for eight years and treated as short-term losses. As a transition rule, the Act requires that post-enactment net capital losses be used before pre-enactment net capital losses.

The Fund has reviewed the tax provisions for the open tax years as of October 31, 2012 and has determined that no provision for income tax is required in the Fund's financial statements. The Fund's federal tax returns for the prior three fiscal years remain open subject to examination by the Internal Revenue Service.

Dividends and Distributions to Shareholders: The Fund records dividends and distributions to its shareholders on the ex-dividend date. Income and capital gain distributions are determined in accordance with United States Federal income tax regulations which may differ from accounting principles generally accepted in the United States. These

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THE CENTRAL EUROPE AND RUSSIA FUND, INC.

NOTES TO FINANCIAL STATEMENTS — OCTOBER 31, 2012 (continued)

differences primarily relate to investments in foreign denominated investments, investments in foreign passive investment companies, recognition of certain foreign currency gains (losses) as ordinary income (loss) and certain securities sold at a loss. As a result, net investment income (loss) and net realized gain (loss) on investment transactions for a reporting period may differ significantly from distributions during such period. Accordingly, the Fund may periodically make reclassifications among certain of its capital accounts without impacting the net asset value of the Fund.

At October 31, 2012, the Fund's components of distributable earnings (accumulated losses) on a tax basis were as follows:

Undistributed ordinary income	$ 9,510,139
Undistributed long-term capital gain	$ 4,560,774
Net unrealized appreciation (depreciation)	$96,170,693

In addition, the tax character of distributions paid to shareholders by the Fund is summarized as follows:

	Years Ended October 31	
	2012	2011
Distributions from ordinary income*	$ 4,911,716	$ 3,599,627
Distributions from long-term capital gains	$28,000,751	$ —

*For tax purposes short-term capital gain is considered ordinary income.

NOTE 2. INVESTMENT ADVISORY AND ADMINISTRATION AGREEMENTS

The Fund is party to an Investment Advisory Agreement with Deutsche Asset Management International GmbH ("DeAMI"). The Fund also has an Administration Agreement with Deutsche Investment Management Americas Inc. ("DIMA"). DeAMI and DIMA are affiliated companies.

Prior to February 1, 2012, the Fund was party to a Management Agreement with DIMA that provided DIMA with a fee, computed weekly and payable monthly, at the annual rates of 0.65% of the Fund's average weekly net assets up to $100 million, 0.55% of such assets in excess of

$100 million and up to $500 million, 0.50% of such assets in excess of $500 million and up to $750 million, and 0.45% of such assets in excess of $750 million. The Investment Advisory Agreement provided DeAMI with a fee, computed weekly and payable monthly, at the annual rates of 0.35% of the Fund's average weekly net assets up to $100 million and 0.25% of such assets in excess of $100 million.

Pursuant to the Management Agreement, DIMA served as the corporate manager and administrator of the Fund and, subject to the supervision of the Board of Directors and pursuant to recommendations made by DeAMI, determined the suitable securities for investment by the Fund. DIMA also provided office facilities and certain administrative, clerical and bookkeeping services for the Fund. Pursuant to the Investment Advisory Agreement, DeAMI, in accordance with the Fund's stated investment objective, policies and restrictions, made recommendations to DIMA with respect to the Fund's investments and, upon instructions given by DIMA as to suitable securities for investment by the Fund, transmitted purchase and sale orders to select brokers and dealers to execute portfolio transactions on behalf of the Fund.

For the three-month period from November 1, 2011 through January 31, 2012, the combined fee pursuant to the Management and Investment Advisory Agreements was equivalent to an annual effective rate of 0.85% of the Fund's average daily net assets.

Effective February 1, 2012, the Fund's Investment Advisory Agreement with DeAMI was replaced with a new Investment Advisory Agreement pursuant to which DeAMI assumed the investment advisory function previously performed by DIMA, and the Fund's Management Agreement with DIMA was replaced with an Administration Agreement pursuant to which DIMA continues to provide all of the non-investment advisory services to the Fund that it historically provided pursuant to the Management Agreement. There were no changes to services provided to the Fund, or the total expenses payable by the Fund, as a result of this reorganization of contracts. The new Investment Advisory Agreement provides DeAMI with a

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fee, computed weekly and payable monthly, at the annual rate of 0.80% of the Fund's average weekly net assets up to and including \$100 million, 0.60% of such assets in excess of \$100 million and up to and including \$500 million, 0.55% of such assets in excess of \$500 million and up to and including \$750 million, and 0.50% of such assets in excess of \$750 million. The Administration Agreement provides DIMA with a fee, computed weekly and payable monthly, of 0.20% of the Fund's average weekly net assets.

Accordingly, for the nine-month period from February 1, 2012 through October 31, 2012, the combined fee pursuant to the Investment Advisory Agreement and the Administration Agreement was equivalent to an annual effective rate of 0.84% of the Fund's average daily net assets.

NOTE 3. TRANSACTIONS WITH AFFILIATES

DWS Investments Service Company ("DISC"), an affiliate of DIMA, is the transfer agent, dividend-paying agent and shareholder service agent of the Fund. Pursuant to a sub-transfer agency agreement between DISC and DST Systems, Inc. ("DST"), DISC has delegated certain transfer agent and dividend-paying agent paying functions to DST. DISC compensates DST out of the shareholder servicing fee it receives from the Fund. For the year ended October 31, 2012, the amount charged to the Fund by DISC aggregated \$19,093, of which \$1,662 is unpaid.

Deutsche Bank AG, the German parent of DIMA and DeAMI, and its affiliates may receive brokerage commissions as a result of executing agency transactions in portfolio securities on behalf of the Fund, that the Board determined were effected in compliance with the Fund's Rule 17e-1 procedures. For the year ended October 31, 2012, Deutsche Bank did not receive brokerage commissions.

Certain officers of the Fund are also officers of either DIMA or DeAMI.

The Fund pays each Director who is not an "interested person" of DIMA or DeAMI retainer fees plus specified amounts for attended board and committee meetings.

The Fund may invest uninvested cash balances in Central Cash Management Fund, which is managed by DIMA. The

Fund indirectly bears its proportionate share of the expenses of Central Cash Management Fund. Central Cash Management Fund does not pay DIMA an investment management fee. Central Cash Management Fund seeks a high level of current income consistent with liquidity and the preservation of capital.

NOTE 4. PORTFOLIO SECURITIES

Purchases and sales of investment securities, excluding short-term investments, for the year ended October 31, 2012 were $144,201,877 and $155,466,319, respectively.

NOTE 5. INVESTING IN FOREIGN MARKETS

Foreign investments may involve certain considerations and risks as a result of, among others, the possibility of political and economic developments and the level of governmental supervision and regulation of foreign securities markets. In addition, certain foreign markets may be substantially smaller, less developed, less liquid and more volatile than the major markets of the United States. Any fund that focuses in a particular segment of the market will generally be more volatile than a fund that invests more broadly.

NOTE 6. CAPITAL

During the year ended October 31, 2012 and the year ended October 31, 2011, the Fund purchased 530,644 and 371,393 of its shares of common stock on the open market at a total cost of $17,098,411 and $14,578,880 ($32.23 and $39.25 average per share), respectively. The weighted average discount of these purchased shares comparing the purchased price to the net asset value at the time of purchase was 9.44% and 9.46%, respectively.

During the year ended October 31, 2012, the Fund issued 394,788 shares as part of the dividend reinvestment plan. The average discount of these issued shares comparing the issue price to the net asset value at the time of issuance was 8.37%.

NOTE 7. SHARE REPURCHASES AND TENDER OFFERS

On July 18, 2011, the Fund announced that the Board of Directors approved an extension of the share repurchase program permitting the Fund to repurchase up to 700,000 shares during the twelve-month period August 1, 2011 through July 31, 2012. The Fund repurchased 509,609 shares from August 1, 2011 through July 31, 2012 under this authorization. Under the terms of the previous repurchase authorization, the Fund repurchased 195,525 shares, from August 1, 2010 through July 31, 2011 out of an authorized amount of 1,300,000 shares. Also, on July 18, 2012, the Fund announced that the Board of Directors approved the extension of the share repurchase program permitting the Fund to repurchase up to 700,000 shares during the period August 1, 2012 through July 31, 2013. The Fund repurchased 225,553 shares between August 1, 2012 and October 31, 2012.

Repurchases will be made from time to time when they are believed to be in the best interest of the Fund. There can be no assurance that the Fund's repurchases or Discount Management Program will reduce the spread between the market price of the Fund's shares and it's NAV per share.

Monthly updates concerning the Fund's repurchase program are available on its web site at www.ceefund.com.

On July 18, 2012 the Fund announced that the Board of Directors approved a series of up to four consecutive semi-annual tender offers, each for up to 5% of the Fund's outstanding shares at a price equal to 98% of net asset value (NAV). Under the Fund's Discount Management Program (The "Program"), the Fund is required to conduct a tender offer if its shares trade at an average discount to NAV of more than 10% during the applicable twelve-week measurement period. The first measurement period commenced on Monday, September 10, 2012 and expired on Friday, November 30, 2012. During the measurement period the Fund's shares traded at an average discount to NAV of 10.18%. The Fund will therefore conduct a tender offer for up to 5% of its outstanding shares at a price equal to 98% of NAV. The commencement of the tender offer for the Fund is expected to occur on or about February 4, 2013.

NOTE 8. CONCENTRATION OF OWNERSHIP

From time to time, the Fund may have a concentration of several shareholder accounts holding a significant percentage of shares outstanding. Investment activities of these shareholders could have a material impact on the Fund. At October 31, 2012, there were two shareholder accounts that held approximately 37% and 15%, respectively, of the outstanding shares of the Fund.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of

The Central Europe and Russia Fund, Inc.

In our opinion, the accompanying statement of assets and liabilities, including the schedule of investments, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of The Central Europe and Russia Fund, Inc. (the "Fund") at October 31, 2012, the results of its operations, the changes in its net assets and the financial highlights for each of the periods indicated therein, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as "financial statements") are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at October 31, 2012 by correspondence with the custodian and brokers, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP
Boston, Massachusetts
December 18, 2012

VOLUNTARY CASH PURCHASE PROGRAM AND DIVIDEND REINVESTMENT PLAN

(unaudited)

The Fund offers shareholders a Voluntary Cash Purchase Program and Dividend Reinvestment Plan ("Plan") which provides for optional cash purchases and for the automatic reinvestment of dividends and distributions payable by the Fund in additional Fund shares. A more complete description of the Plan is provided in the Plan brochure available from DWS Investments Service Company, the transfer agent (the "Transfer Agent"), P.O. Box 219066, Kansas City, Missouri 64105 (telephone 1-800-437-6269). Computershare, Inc. (the "Plan Agent") acts as the plan agent under the Plan. A shareholder should read the Plan brochure carefully before enrolling in the Plan.

Under the Plan, participating shareholders ("Plan Participants") appoint the Transfer Agent to receive or invest Fund distributions as described below under "Reinvestment of Fund Shares." In addition, Plan Participants may make optional cash purchases through the Transfer Agent as often as once a month as described below under "Voluntary Cash Purchases." There is no charge to Plan Participants for participating in the Plan, although when shares are purchased under the Plan by the Plan Agent on the New York Stock Exchange or otherwise on the open market, each Plan Participant will pay a pro rata share of brokerage commissions incurred in connection with such purchases, as described below under "Reinvestment of Fund Shares" and "Voluntary Cash Purchases."

Reinvestment of Fund Shares. Whenever the Fund declares a capital gain distribution, an income dividend or a return of capital distribution payable, at the election of shareholders, either in cash or in Fund shares, or payable only in cash, the Transfer Agent shall automatically elect to receive Fund shares for the account of each Plan Participant.

Whenever the Fund declares a capital gain distribution, an income dividend or a return of capital distribution payable only in cash and the net asset value per share of the Fund's common stock equals or is less than the market price per share on the valuation date (the "Market Parity or Premium"), the Transfer Agent shall apply the amount of such dividend or distribution payable to a Plan Participant to the purchase from the Fund of Fund Shares for a Plan

Participant's account, except that if the Fund does not offer shares for such purpose because it concludes Securities Act registration would be required and such registration cannot be timely effected or is not otherwise a cost-effective alternative for the Fund, then the Transfer Agent shall follow the procedure described in the next paragraph. The number of additional shares to be credited to a Plan Participant's account shall be determined by dividing the dollar amount of the distribution payable to a Plan Participant by the net asset value per share of the Fund's common stock on the valuation date, or if the net asset value per share is less than 95% of the market price per share on such date, then by 95% of the market price per share. The valuation date will be the payable date for such dividend or distribution.

Whenever the Fund declares a capital gain distribution, an income dividend or a return of capital distribution payable only in cash and the net asset value per share of the Fund's common stock exceeds the market price per share on the valuation date (the "Market Discount"), the Plan Agent shall apply the amount of such dividend or distribution payable to a Plan Participant (less a Plan Participant's pro rata share of brokerage commissions incurred with respect to open-market purchases in connection with the reinvestment of such dividend or distribution) to the purchase on the open market of Fund shares for a Plan Participant's account. The valuation date will be the payable date for such dividend or distribution. Such purchases will be made on or shortly after the valuation date and in no event more than 30 days after such date except where temporary curtailment or suspension of purchase is necessary to comply with applicable provisions of federal securities laws.

The Transfer Agent or the Plan Agent may aggregate a Plan Participant's purchases with the purchases of other Plan Participants, and the average price (including brokerage commissions) of all shares purchased by the Plan Agent shall be the price per share allocable to each Plan Participant.

For all purposes of the Plan, the market price of the Fund's common stock on a payable date shall be the last sales price on the New York Stock Exchange on that date, or, if there is no sale on such Exchange (or, if different, the

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principal exchange for Fund shares) on that date, then the mean between the closing bid and asked quotations for such stock on such Exchange on such date. The net asset value per share of the Fund's common stock on a valuation date shall be as determined by or on behalf of the Fund.

The Transfer Agent may hold a Plan Participant's shares acquired pursuant to the Plan, together with the shares of other Plan Participants acquired pursuant to this Plan, in non-certificated form in the name of the Transfer Agent or that of a nominee. The Transfer Agent will forward to each Plan Participant any proxy solicitation material and will vote any shares so held for a Plan Participant only in accordance with the proxy returned by a Plan Participant to the Fund. Upon a Plan Participant's written request, the Transfer Agent will deliver to a Plan Participant, without charge, a certificate or certificates for the full shares held by the Transfer Agent.

Voluntary Cash Purchases. Plan Participants have the option of making investments in Fund shares through the Transfer Agent as often as once a month. Plan Participants may invest as little as $100 in any month and may invest up to $36,000 annually through the voluntary cash purchase feature of the Plan.

The Plan Agent shall apply such funds (less a Plan Participant's pro rata share of brokerage commissions or other costs, if any) to the purchase on the New York Stock Exchange (or, if different, on the principal exchange for Fund shares) or otherwise on the open market of Fund shares for such Plan Participant's account, regardless of whether there is a Market Parity or Premium or a Market Discount. The Plan Agent will purchase shares for Plan Participants on or about the 15th of each month. Cash payments received by the Transfer Agent less than five business days prior to a cash purchase investment date will be held by the Transfer Agent until the next month's investment date. Uninvested funds will not bear interest. Plan Participants may withdraw any voluntary cash payment by written notice received by the Transfer Agent not less than 48 hours before such payment is to be invested.

Enrollment and Withdrawal. Both current shareholders and first-time investors in the Fund are eligible to participate in the Plan. Current shareholders may join the Plan by either enrolling their shares with the Transfer Agent or by making an initial cash deposit of at least $250 with the Transfer Agent. First-time investors in the Fund may join the Plan by making an initial cash deposit of at least $250 with the Transfer Agent. In order to become a Plan Participant, shareholders must complete and sign the enrollment form included in the Plan brochure and return it, and, if applicable, an initial cash deposit of at least $250 directly to the Transfer Agent if shares are registered in their name. Shareholders who hold Fund shares in the name of a brokerage firm, bank or other nominee should contact such nominee to arrange for it to participate in the Plan on such shareholder's behalf.

If the Plan Participant elects to participate in the Plan by enrolling current shares owned by the Plan Participant with the Transfer Agent, participation in the dividend reinvestment feature of the Plan begins with the next dividend or capital gain distribution payable after the Transfer Agent receives the Plan Participant's written authorization, provided such authorization is received by the Transfer Agent prior to the record date for such dividend or distribution. If such authorization is received after such record date, the Plan Participant's participation in the dividend reinvestment feature of the Plan begins with the following dividend or distribution.

If the Plan Participant elects to participate in the Plan by making an initial cash deposit of at least $250 with the Transfer Agent, participation in the dividend reinvestment feature of the Plan begins with the next dividend or capital gains distribution payable after the Transfer Agent receives the Plan Participant's authorization and deposit, and after the Plan Agent purchases shares for the Plan Participant on the New York Stock Exchange (or, if different, on the principal exchange for Fund shares) or otherwise on the open market, provided that the authorization and deposit are received, and the purchases are made by the Plan Agent prior to the record date. If such authorization and deposit

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are received after the record date, or if the Plan Agent purchases shares for the Plan Participant after the record date, the Plan Participant's participation in the dividend reinvestment feature of the Plan begins with the following dividend or distribution.

A shareholder's written authorization and cash payment must be received by the Transfer Agent at least five business days in advance of the next cash purchase investment date (normally the 15th of every month) in order for the Plan Participant to participate in the voluntary cash purchase feature of the Plan in that month.

Plan Participants may withdraw from the Plan without charge by written notice to the Transfer Agent. Plan Participants who choose to withdraw may elect to receive stock certificates representing all of the full shares held by the Transfer Agent on their behalf, or to instruct the Transfer Agent to sell such full shares and distribute the proceeds, net of brokerage commissions, to such withdrawing Plan Participant. Withdrawing Plan Participants will receive a cash adjustment for the market value of any fractional shares held on their behalf at the time of termination. Withdrawal will be effective immediately with respect to distributions with a record date not less than 10 days later than receipt of such written notice by the Transfer Agent.

Amendment and Termination of Plan. The Plan may only be amended or supplemented by the Fund or by the Transfer Agent by giving each Plan Participant written notice at least 90 days prior to the effective date of such amendment or supplement, except that such notice period may be shortened when necessary or appropriate in order to comply with applicable law or the rules or policies of the Securities and Exchange Commission or any other regulatory body.

The Plan may be terminated by the Fund or by the Transfer Agent by written notice mailed to each Plan Participant. Such termination will be effective with respect to all distributions with a record date at least 90 days after the mailing of such written notice to the Plan Participants.

Federal Income Tax Implications of Reinvestment of Fund Shares. Reinvestment of Fund shares does not relieve Plan Participants from any income tax which may be payable on dividends or distributions. For U.S. federal income tax purposes, when the Fund issues shares representing an income dividend or a capital gain dividend, a Participant will include in income the fair market value of the shares received as of the payment date, which will be ordinary dividend income or capital gain, as the case may be. The shares will have a tax basis equal to such fair market value, and the holding period for the shares will begin on the day after the date of distribution. If shares are purchased on the open market by the Plan Agent, a Plan Participant will include in income the amount of the cash payment made. The basis of such shares will be the purchase price of the shares, and the holding period for the shares will begin on the day following the date of purchase. State, local and foreign taxes may also be applicable.

THE CENTRAL EUROPE AND RUSSIA FUND, INC.

REPORT OF STOCKHOLDERS' MEETING (unaudited)

The Annual Meeting of Stockholders of The Central Europe and Russia Fund, Inc. was held on June 27, 2012. At the close of business on May 11, 2012, the record date for the determination of stockholders entitled to vote at the Meeting, there were issued and outstanding 13,481,302 shares of the Fund's common stock, each share being entitled to one vote, constituting all of the Fund's outstanding voting securities. At the Meeting, the holders of 12,511,365 shares of the Fund's common stock were represented in person or by proxy, constituting a quorum. At the Meeting, the following matters were voted upon by the stockholders. The resulting votes are presented below:

1. To elect three Class III Directors to serve for a term of three years and until their successors are elected and qualify.

	Number of Votes	
	For	Withheld
Dr. Franz Wilhelm Hopp	11,734,188	777,177

Mr. Christian H. Strenger	11,755,924	755,441
Mr. Joachim Wagner	11,747,724	763,641

2. To ratify the appointment by the Audit Committee and the Board of Directors of PricewaterhouseCoopers LLP, an independent public accounting firm, as independent auditors for the fiscal year ending October 31, 2012.

	Number of Votes	
For	Against	Abstain
12,426,352	41,530	43,479

3. If properly presented at the Meeting, to consider and vote on a stockholder proposal to ask the Board of Directors to take the steps necessary to adopt an interval fund structure, whereby the Fund would conduct periodic tender offers at least semiannually for at least 10% of currently outstanding common shares at a price of at least 98% of net asset value.

	Number of Votes	
For	Against	Abstain
5,995,620	3,611,691	44,938

PROXY VOTING

A description of the Fund's policies and procedures for voting proxies for portfolio securities and information about how the Fund voted proxies related to its portfolio securities during the 12-month period ended June 30 is available on our web site — www.dws-investments.com or on the SEC's web site — www.sec.gov. To obtain a written copy of the Fund's policies and procedures without charge, upon request, call us toll free at (800) 437-6269.

2012 U.S. TAX INFORMATION (unaudited)

The Fund paid distributions of $2.12 per share from net long-term capital gains during its year ended October 31, 2012, of which 100% represents 15% rate gains.

The Fund paid foreign taxes of $2,112,206 and earned $9,833,189 of foreign source income year during the year ended October 31, 2012. Pursuant to section 853 of the Internal Revenue Code, the Fund designates $0.16083 per share as foreign taxes paid and $0.74874 per share as income earned from foreign sources for the year ended October 31, 2012.

Pursuant to Section 852 of the Internal Revenue Code, the Fund designates $5,166,164 as capital gain dividends for its year ended October 31, 2012, of which 100% represents 15% rate gains.

For Federal income tax purposes, the Fund designates $20,014,000, or the maximum amount allowable under tax law, as qualified dividend income.

SHARES REPURCHASED AND ISSUED

The Fund has been purchasing shares of its common stock in the open market. Shares repurchased and shares issued for dividend reinvestment for the past five years are as follows:

Fiscal year ended October 31,	2012	2011	2010	2009	2008
Shares repurchased	530,644	371,393	1,089,502	1,304,700	111,900
Shares issued for dividend reinvestment	394,788	—	84,325	—	1,314,952

PRIVACY NOTICE

FACTS	What Does DWS Investments Do With Your Personal Information?
Why?	Financial companies choose how they share your personal information. Federal law gives consumers the right to limit some but not all sharing. Federal law also requires us to tell you how we collect, share, and protect your personal information. Please read this notice carefully to understand what we do.
What?	The types of personal information we collect and share can include: • Social Security number • Account balances • Purchase and transaction history • Bank account information • Contact information such as mailing address, e-mail address and telephone number
How?	All financial companies need to share customers' personal information to run their everyday business. In the section below, we list the reasons financial companies can share their customers' personal information; the reasons DWS Investments chooses to share; and whether you can limit this sharing.

Reasons we can share your personal information	Does DWS Investments share?	Can you limit this sharing?
For our everyday business purposes — such as to process your transactions, maintain your account(s), respond to court orders or legal investigations	Yes	No
	Yes	No

For our marketing purposes — to offer our products and services to you		
For joint marketing with other financial companies	No	We do not share
For our affiliates' everyday business purposes — information about your transactions and experiences	No	We do not share
For our affiliates' everyday business purposes — information about your creditworthiness	No	We do not share
For nonaffiliates to market to you	No	We do not share

Questions? Call (800) 349-4281 or e-mail us at dws-investments.info@dws.com

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PRIVACY NOTICE (continued)

Who we are	
Who is providing this notice?	The Central Europe and Russia Fund, Inc.
What we do	
How does DWS Investments protect my personal information?	To protect your personal information from unauthorized access and use, we use security measures that comply with federal law. These measures include computer safeguards and secured files and buildings.
How does DWS Investments collect my personal information?	We collect your personal information, for example. When you • open an account • give us your contact information • provide bank account information for ACH or wire transactions • tell us where to send money • seek advice about your investments
Why can't I limit all sharing?	Federal law gives you the right to limit only • sharing for affiliates' everyday business purposes — information about your creditworthiness • affiliates from using your information to market to you • sharing for nonaffiliates to market to you State laws and individual companies may give you additional rights to limit sharing.
Definitions	
Affiliates	Companies related by common ownership or control. They can be financial or non-financial companies. Our affiliates include financial companies with the DWS or Deutsche Bank ("DB") name, such as DB AG Frankfurt and DB Alex Brown.
Non-affiliates	

	Companies not related by common ownership or control. They can be financial and non-financial companies. Non-affiliates we share with include account service providers; service quality monitoring services; mailing service providers; and verification services to help in the fight against money laundering and fraud.
Joint marketing	A formal agreement between nonaffiliated financial companies that together market financial products or services to you. • DWS Investments does not jointly market.

THE CENTRAL EUROPE AND RUSSIA FUND, INC.

APPROVAL OF CONTINUANCE OF INVESTMENT ADVISORY AGREEMENT (unaudited)

The Fund's directors unanimously approved the continuance investment advisory agreement between the Fund and Deutsche Asset Management International GmbH ("DeAMI") (the "agreement") at a meeting held on October 19, 2012. The fund's directors simultaneously approved the continuance, for an additional period, of an administration agreement (the "administration agreement") with Deutsche Investment Management Americas Inc. ("DIMA"), an affiliate of DeAMI. Prior to the effective date of the agreement and the administration agreement, which was February 1, 2012, DIMA served as the Fund's manager, providing administrative and investment advisory services to the Fund. There were no changes in the total fees payable by, or the services received by, the Fund as a result of the changes to the contractual arrangements effective February 1, 2012.

In preparation for the meeting, the directors had requested and evaluated extensive materials from DeAMI, including performance and expense information for other investment companies with similar investment objectives derived from data compiled by Lipper Inc. ("Lipper"). Prior to voting, the directors reviewed the proposed approval of the continuance of the agreement with management and with experienced counsel who are independent of DeAMI and received a memorandum from such counsel discussing the legal standards for their consideration of the proposed approval of the continuance. The directors also discussed the proposed approval in a private session with counsel at which no representatives of DeAMI were present. In reaching their determination relating to approval of the agreement, the directors considered all factors they believed relevant, including the following:

1. information comparing the Fund's performance to other investment companies with similar investment objectives and to an index;

2. the nature, extent and quality of investment advisory and other services rendered by DeAMI;

3. payments received by DeAMI from all sources in respect to the Fund and all investment companies in the Deutsche family of funds;

4. the costs borne by, and profitability of, DeAMI and its affiliates (including DIMA) in providing services to the Fund and to all investment companies in the Deutsche family of funds;

5. comparative fee and expense data for the Fund and other investment companies with similar investment objectives;

6. the extent to which economies of scale would be realized as the Fund grows and whether fee levels reflect these economies of scale for the benefit of investors;

7. DeAMI's policies and practices regarding allocation of the Fund's portfolio transactions, including the extent, if any, to which DeAMI benefits from soft dollar arrangements;

8. the Fund's portfolio turnover rates compared to those of other investment companies with similar investment objectives;

9. fall-out benefits which DeAMI and its affiliates receive from their relationships with the Fund;

10. information concerning the programs established by DeAMI with respect to compliance, risk management, disclosure and ethics;

11. the professional experience and qualifications of the Fund's portfolio management team and other senior personnel of DeAMI; and

12. the terms of the agreement.